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FISCAL IMPACT STATEMENT

LS 6395

BILL NUMBER: HB 1087

NOTE PREPARED: Jan 2, 2012

BILL AMENDED:

SUBJECT: Local Income Tax for Public Safety.

FIRST AUTHOR: Rep. Thompson

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill authorizes counties in which two public safety answering points (PSAPs) are located to adopt an additional local option income tax rate under the county adjusted gross income tax (CAGIT) laws or the county option income tax (COIT) laws without adopting additional tax rates for property tax relief first if the revenue is for the sole purpose of funding the operations of the PSAPs in the county. It provides that the additional rate is subject to the maximum rate of 0.25% that current law imposes on additional rates for public safety and is subject to the approval of the Department of Local Government Finance.

It provides for the distribution of the revenue from the additional rate to the PSAPs located in the county in amounts determined by the county fiscal body or county income tax council. The bill also requires a political subdivision that operates a PSAP receiving the income tax revenue to reduce the enhanced emergency telephone system fee imposed by the unit and its property tax levy for funding a PSAP.

Effective Date: Upon passage.

Explanation of State Expenditures: The Department of State Revenue (DOR) and the State Budget Agency (SBA) would be required to adjust certified distributions if tax rate increases are adopted by county fiscal bodies. The DOR and the SBA should be able to carry out this provision within their existing resources. The Department of Local Government Finance must approve the maximum tax rate.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: *LOIT for Public Safety:* This bill would allow counties that have two PSAPs to adopt LOIT for public safety without having to adopt rates to freeze property tax levies and rates for property tax relief. Counties that adopt the rate under the bill's provisions must spend the certified distribution attributable to the new rate to fund the operations of the PSAPs located in the county, and the rate must be approved by the Department of Local Government Finance (DLGF). The rate may not exceed 0.25%, which is the same rate limitation under current statute for LOIT for public safety. Any impact will depend upon local action.

According to the e911 Advisory Board, 22 counties have two PSAPs: Daviess, Decatur, DeKalb, Delaware, Dubois, Floyd, Grant, Greene, Huntington, Jackson, LaPorte, Madison, Monroe, Noble, Parke, Ripley, Rush, Shelby, Vermillion, Vigo, Wabash, and Whitley. Of these counties, Huntington, Madison, and Parke Counties already impose a 0.25% LOIT for public safety rate. Also, under current law, Wabash and Grant Counties would be able to adopt a LOIT for public safety rate because they have adopted the LOIT rates necessary to adopt the LOIT for public safety rate. The table below provides the estimated revenue for counties that would be able to adopt a LOIT for public safety rate at 0.25% to fund the PSAPs.

County	LOIT for Public Safety Rate	Estimated Revenue	County	LOIT for Public Safety Rate	Estimated Revenue
Daviess	0.25%	\$1.1 M	Monroe	0.25%	\$5.1 M
Decatur	0.25%	\$1.0 M	Noble	0.25%	\$1.6 M
DeKalb	0.25%	\$1.6 M	Ripley	0.25%	\$1.1 M
Delaware	0.25%	\$3.8 M	Rush	0.25%	\$0.5 M
Dubois	0.25%	\$1.9 M	Shelby	0.25%	\$1.8 M
Floyd	0.25%	\$3.6 M	Vermillion	0.25%	\$0.7 M
Grant	0.25%	\$2.2 M	Vigo	0.25%	\$3.8 M
Greene	0.25%	\$1.2 M	Wabash	0.25%	\$1.1 M
Jackson	0.25%	\$1.6 M	Whitley	0.25%	\$1.4 M
LaPorte	0.25%	\$4.2 M			

If a county adopts a public safety LOIT under this provision, the county fiscal body would determine the amount distributed to each taxing unit with a PSAP. Taxing units must first use the revenue to reduce the enhanced emergency telephone system fee imposed by the unit. The monthly telephone fee is limited to a maximum of \$0.50 per phone line. Any remaining revenue must be used to reduce the unit's property tax levy.

Total revenues would not change because of the required fee and levy reductions. Public safety LOIT revenue that is used to reduce property tax levies would be treated as part of the property tax levy so that distributions of miscellaneous revenues that are distributed on the basis of property tax levy would be unchanged.

There could, however, be an effect on circuit breaker losses. If property tax levies are reduced, exposure to the circuit breaker caps would also be reduced. Taxing units that (1) intersect with units having a PSAP, and (2) currently have circuit breaker losses, could see a reduction in circuit breaker losses and a corresponding increase in net property tax revenue.

State Agencies Affected: DOR; SBA; DLGF.

Local Agencies Affected: Taxing units in counties with two PSAPs.

Information Sources: e911 Advisory Board; State Budget Agency, CY 2012 Advisory Distribution Amounts and LOIT tax rates as of November 30, 2011.

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